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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

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May 15, 2007

The Honorable Henry Paulson
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Secretary:

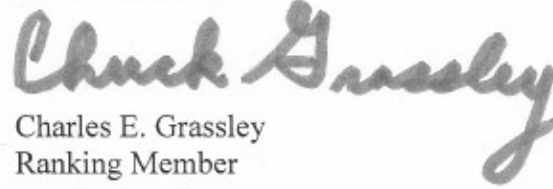
I am writing to you regarding an ongoing concern that I have with respect to the amount of official Internal Revenue Service (IRS) time used by representatives of the National Treasury Employees Union (NTEU). As you are aware, I have been a strong advocate of using IRS resources in the most productive manner possible.

Based on information former Commissioner Everson provided to me in a letter dated April 11, 2007, total NTEU time spent on union related activities for 2006 equated to 302 full time equivalents (FTEs). In terms of resource and revenue trade-offs, the letter referenced a historical figure of a full-time SB/SE revenue agent auditing individual tax returns bringing in nearly \$700,000 annually. Thus, according to IRS figures, total NTEU time for 2006 represents approximately \$211,400,000 additional direct revenue that could have potentially been brought into the United States Treasury. This figure does not account for any increase in revenue that would be gained indirectly through the increased audit activity. At a time when this Committee is increasingly looking at new methods of closing the tax gap, it is imperative that we first ensure that the IRS is effectively using its existing resources.

At the Senate Finance Committee's tax gap hearing on April 18, 2007, former Commissioner Everson stated that the IRS was in the process of trying to renegotiate the NTEU agreement, which would include a renegotiation of union activity time. Former Commissioner Everson also stated that the amount of time devoted to union activities is proportionately higher at the IRS than it is in comparison to other departments and agencies within the government. Without getting into whether taxpayers should even be funding union activity, please provide me with an analysis of IRS union activity time versus union time for other governmental departments and agencies. Please also quantify this analysis in terms of FTEs and the number of agency or department employees who are represented by the union. What is being done in the renegotiation process to bring the IRS-NTEU agreement at least more in line with practices elsewhere in the government?

Thank you for your time and attention to this matter. I would appreciate your response by May 25, 2007.

Cordially yours,

A handwritten signature in dark ink, reading "Chuck Grassley". The signature is written in a cursive, slightly slanted style. The "C" is large and loops around the "huck". The "Grassley" part is more compact and follows the same slant.

Charles E. Grassley
Ranking Member

cc: Chairman Baucus